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FOR EEB/CIP/BA - WHIT WITTMAN
HELSINKI PLEASE PASS TO AMBASSADOR GROSS

SENSITIVE
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E.O. 12958: N/A
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SUBJECT: ESTONIA: SCENESETTER FOR DAS DAVID GROSS

¶1. (U) Welcome to Tallinn. Your visit will bring you to one of our most supportive allies in Europe. Perhaps the most dynamic of the "Baltic Tigers" since re-independence in 1991, Estonia enjoyed average annual GDP growth racing above eight percent from 2001-2007. Growth began to slow in 2007, however, and has fallen markedly this year. The head of a recent IMF mission termed the slowdown "necessary," but also cited the need for Estonia to restore balance between wage growth (12 percent in 2006, 20 percent in 2007, and 15 percent forecast for 2008) and productivity. Other key concerns are lack of labor market flexibility, inflation, and recent state budget shortfalls.

E-stonia

¶2. (U) Estonia leads the way among the Baltic States in Internet usage, and is one of the most wired nations on earth, with free wi-fi points covering much of the downtown area, and even some national parks. Today about 66 percent of the population uses the Internet and about 53 percent of households have Internet access at home. Internet banking services have experienced rapid growth and banking online has become a common channel through which people perform cash transfers, pay taxes, pay for services, communicate with the tax board, etc.

¶3. (U) Since January 2002, the Citizenship and Migration Board has issued a domestic identity card with a machine-readable code and chip. The chip contains visual data on the card and two security certificates (long number series), to verify the individual and supply digital signatures. From 1996-1998, the GOE completed the process of connecting all Estonian schools to the Internet as part of the "Tiger Leap" program, now being emulated in neighboring countries. In 2007, over 90 percent of Estonians filed their tax return via the internet. Modern banking systems and wide-spread Internet usage have placed Estonian banks at the forefront of the electronic and Internet banking services in the world. Today about 90 percent of all transactions in Estonia are done via internet banking.

E-Government and E-Voting

¶4. (U) Estonia first allowed e-voting in local elections in 2005. Estonia's parliamentary elections in March 2007 were the world's first national elections to allow voters to use the internet to cast their ballots. In 2007, 30,275 voters (3.4 percent of the total) voted online - three times the number from two years before. E-voters used their national ID card, an ID card reader and a PC connected to the Internet to vote. The software for the e-voting worked

properly and no technical problems hindered the voting process. Officials monitored closely for cases of fraud, but none were reported. Estonia has since become a case study for many countries wanting to introduce e-voting. [Note: One of the companies involved in developing the e-voting and e-government software, Cybernetica, is located at the Tehnopol technology park you will visit. End note.]

(SBU) Cyber Security:

15. (SBU) In late April/early May 2007, Estonia experienced an intensive, coordinated "cyber attack" against government and private sector websites, following the government's decision to relocate a Soviet-era statue from the center of Tallinn to a nearby military cemetery. The targeted sites recovered quickly, but the attacks revealed weaknesses in cyber defenses and a lack of information security specialists. The government is drafting a cyber defense strategy for 2008-13. State institutions plan to spend an estimated \$15 million raising the efficiency of information security over the next six years. The biggest part of this would be spent on protecting critical infrastructure.

16. (SBU) The Distributed Denial of Service (DDOS) technology behind the attacks was not new or especially sophisticated, but the attacks revealed the inherent vulnerabilities of modern, online infrastructure. While Estonia's cyber defenses were ultimately successful, the GOE's report in July 2007 recommended further improvements, especially in regards to public-private cooperation. Today, banks tell us that they feel their computer networks are better able to respond to such an attack than they were a year ago, but they are not complacent. One local bank's cyber-security expert told us they fully expect another DDOS attack at some point in the future, and that the surprising thing about May 2007 was not the attack itself, but the number of vectors used to launch it.

17. (U) In 2004, Estonia proposed establishing a NATO Cooperative Cyber Defense Center (CCD) in Estonia, which received renewed focus and momentum following the cyber attacks in 2007. On May 14, 2008 in Brussels, Estonia and six NATO Allies signed a Memorandum of Understanding establishing Estonia's Cooperative Cyber Defense (CCD). The first meeting of the CCD Steering Committee will take place in Tallinn May 28-30. The Estonian government hopes NATO will formally accredit the CCD as a NATO Center of Excellence (COE) by December 2008. In November 2007, the United States was the first Ally to send a representative to the CCD. The Navy seconded a cyber security expert from the Naval Criminal Investigative Service to the CCD for one year. Many non-NATO countries are also eligible to join the center's activities. You will visit the CCD on the first day of your trip here. As part of Estonia's new cyber defense strategy, special courses will be introduced into the curricula of Estonian universities in the coming years. One department of the National Defense College in Tartu would be linked to the future NATO cyber defense center and have classrooms in Tallinn for teaching these courses.

ICT Cooperation and Investment with the USG

18. (U) Estonia's Ministry of Economic Affairs and Communication has identified three areas of focus for its strategy "Knowledge-Based Estonia, 2007-2013". These are ICT, biotech, and nano-technology. This year, the Embassy is supporting several initiatives aimed at increasing bilateral cooperation on technology and innovation issues:

-- In February, Ambassador Phillips visited Tehnopol, where you will also meet high-tech start-ups, and see Skype's "Ops Center";

-- In April, Minister Parts accompanied President Ilves to the U.S.-Baltic Foundation Gala in Washington, and made

side trips to the National Institute of Standards and Technology, as well as meeting with ICT companies in Silicon Valley;

-- In May, a large delegation from the Greater Seattle Trade Development Alliance came to Tallinn for a briefing from Enterprise Estonia;

-- In May, overlapping your visit, Tehnopol is sending representatives of nine hi-tech companies to Silicon Valley and the Bay Area for meetings with potential venture capital partners;

-- In September, the Embassy will use BFIF funds to bring representatives from Silicon Valley technology parks, and North Carolina's Research Triangle, to the "Baltic Dynamics" conference in Tartu, Estonia.

In short, your visit fits perfectly into a strong narrative of ever-closer cooperation with Estonia on ICT issues.

The American Chamber of Commerce in Estonia

¶9. (U) In a country that "punches above its weight," AmCham Estonia is Sugar Ray Leonard. With two paid staff, and a volunteer board, the Chamber sponsors six sub-committees on everything from intellectual property rights (IPR) and young professional development, to an Overseas Security Advisory Council (OSAC) and Corporate Social Responsibility. While the Chamber has approximately 110 members, there are few ICT companies among them. This is a shortcoming the Management Board has identified as something they hope to improve. The Chamber frequently hosts seminars on issues facing the Estonian workforce and the economy, as well as raising awareness on IPR, and promoting U.S. investment in Estonia. The last issue of the Chamber's magazine "Estonian Advantage" focused on the impact of the Cyber Attacks on businesses. You will have a luncheon with AmCham members on ICT issues during your first full day in Tallinn.
Estonia: A Staunch NATO Ally

¶10. (U) Estonia is a consistent ally and a strong supporter of the U.S. position in the War on Terror. Estonian troops participate in NATO operations (in Afghanistan and Kosovo), EU operations (the EU's Nordic Battle Group), Operation Enduring Freedom in Iraq and other missions (including the UN mission in Lebanon). Overall, about 10 percent of Estonia's land forces are currently deployed in overseas operations. The GOE is on track to meet its NATO commitment of devoting 2 percent of its GDP to defense spending by 2010 (currently at 1.69 percent) and is a vocal supporter of NATO enlargement.

PHILLIPS